AmInvestment Bank

Company report

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POWER

MALAKOFF

(MLK MK, MALA.KL)

20 Jun 2025

Wins WTE project in Melaka

HOLD

Price: RM0.79
Fair Value: RM0.88

Rationale for report: Company update

YE to Dec	FY24	FY25F	FY26F	FY27F
EPS (sen)	5.5	5.2	6.3	6.7
PE (x)	14.4	15.2	12.6	11.7

Source : AmInvestment Bank

Quick Take

- **Malakoff Corporation announced that it has entered into a Concession Agreement with the Malaysia Government for the design, construction, operation and maintenance of a waste-to-energy (WTE) plant at Sungai Udang, Melaka.**

- **The WTE plant will process up to 1,056 tonnes per day of municipal waste and generate 22MW of electricity, which will be sold to Tenaga Nasional. The construction period is three years starting from 2QFY26.**

- **Assuming an estimated cost of US$7.5mil per MW, the WTE plant will cost about RM700mil. We think that Malakoff would have to borrow RM490mil based on a debt to equity ratio of 70/30. We believe that the WTE plant would be using Japanese technology.**

- **Assuming a tipping fee of RM90/tonne and a net profit margin of 8%, we estimate that the 22MW WTE plant would generate earnings of RM2.8mil. This would be about 1% of Malakoff's FY26F net profit. We do not expect any earnings contribution in the short-term as the WTE plant would only be completed in FY29F.**

- **We maintain HOLD on Malakoff with a target price of RM0.88/share. Our target price of RM0.88/share is based on a FY26F PE of 14x, which was the average PE in the past five years.**

EXHIBIT 1 : VALUATION MATRIX

(RM mil) YE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	9,067.0	8,969.6	10,800.2	10,954.9	11,035.0
Net Profit (RMmil)	(837.2)	268.7	253.2	305.5	328.7
EPS (sen)	(17.1)	5.5	5.2	6.3	6.7
EPS growth (%)	(377.0)	132.1	(5.8)	20.7	7.6
Consensus net (RMmil)			262.3	287.2	313.6
DPS (sen)	3.0	4.4	5.0	5.2	5.5
PE (x)	(4.6)	14.4	15.2	12.6	11.7
EV/EBITDA (x)	9.5	5.4	6.4	5.8	5.3
Div yield (%)	3.8	5.6	6.3	6.6	7.0
ROE (%)	(18.6)	6.0	5.6	6.7	7.1

Source : AmInvestment Bank

EXHIBIT 2: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	GHG emissions	Net zero by 2050F	25%	*	*	*			3.7% reduction in GHG emissions intensity and 17% reduction in Scope 2 emissions in FY24
2	Exposure to renewables	More than 20% of generation mix or capacity	25%	*	*				86% of FY24 capacity payments were from coal power plants
3	Contribution of coal to earnings	Less than 20%	25%	*	*	*			Coal is estimated to account for half of earnings
4	Waste management	Recycling rate of 20% and above	25%	*	*	*			21.1% recycling rate in FY24
	Weighted score for evironmental assessment		**100%**	*	*	*			
	Social assessment								
1	Workers welfare	Learning and development hours	33%	*	*	*			Average training hours per employee was 15 in FY24
2	Number of incidents	Below 10	33%	*	*				Seven recordable work related injuries in FY24
3	Lost Time Injury Frequency	Below 1	33%	*	*	*	*		Fell to 0.4 in FY24 from 0.7 in FY23
	Weighted score for social assessment		**100%**	*	*	*			
	Governance assessment								
1	Related party transactions	Value of RPTs	40%	*	*	*			RM31.9mil in terms of revenue and RM25.1mil in terms of expenses in FY24
2	Women in workforce	% in workforce	30%	*	*	*			17.5% of workforce were women in FY24
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM4.9mil in FY24
	Weighted score for governance assessment		**100%**	*	*	*			

Source: AmInvestment Bank

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